

Procurement

Overview

Procurement involves the planning that goes into purchasing food, supplies, goods, and services. In terms of Child Nutrition Programs which are federally funded, sponsors must comply with federal procurement standards found in 2 CFR Part 200, as well as any additional applicable state and local procurement regulations (which may be more restrictive than federal standards). *School districts are to follow whichever regulations are the most restrictive.* These standards are meant to prevent fraud, waste, and program abuse. Sponsors must develop a Code of Conduct, which describe allowable and unallowable practices involved in purchasing goods and services. Each sponsor will have to ask their financial or administrative office for the following information in order to know how to handle procurement at that particular school district:

- Local Small Purchase threshold (public school districts in Idaho are at or below \$25,000)
- Local Capital Equipment threshold

Procurement is a way to plan for purchases to help ensure that money is spent wisely. Careful selection of products and meals in the procurement process can be critical to the financial success of a program. Sponsors may want to consider any number of the following when developing bid specifications: taste, grade, appearance, brand preference, seasonality, and geographic origin.

After the procurement is awarded and a contract is in place, the Contract Administration or Performance Management process starts. After awarding a contract, the sponsor must make sure the terms and conditions of the contract are being followed.

Terminology

Code of Conduct – A document required of all sponsors that outlines allowable and unallowable practices in the procurement of goods and services.

Contract Monitoring (aka Contract Administration/Performance Management Process) – Making sure the terms and conditions of the contract are being followed once the contract has been awarded; an ongoing process.

Invitation for bid (IFB) - A solicitation to prospective vendors containing contract requirements and product or service specifications. Contracts are awarded to the lowest responsive, responsible bidder.

Local Purchasing - There are many options for defining “local,” and definitions vary widely depending on the unique geography and climate where a sponsor and its meal sites are located. Sponsors can define local as within a certain number of miles, within the county, state, or region of the country.

Micro Purchase – A government purchase of supplies and/or services under the dollar value of \$3,000.00; a purchase below \$3,000 may be made without obtaining price quotes as long as the price is reasonable and purchases are distributed equitably among qualified suppliers. For example, a sponsor may not make all purchases from one source; rather, the sponsor must make purchases from all qualified sources equally.

Procurement – Planning that goes into the buying of the right amount of products, at the right time, and at the price afforded. The act of obtaining goods or services in exchange for money or value and is conducted with free and open competition on a level playing field.

Procurement by Competitive Proposals – Competitive proposals are publicly solicited from a number of qualified sources with more than one source submitting an offer, and either a fixed-price or cost-reimbursable type contract is awarded. The solicitation must include a written method of conducting technical evaluations and are awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.

Procurement by Sealed Bids (Formal Advertising) - When purchases are estimated to exceed the most restrictive small purchase threshold (state of Idaho is \$25,000 for public school districts), sponsors must conduct a cost or price analysis (2 CFR Part 200.323). Bids are publicly solicited from two or more responsible bidders and a firm fixed-price contract (lump) sum or unit price is awarded to the responsible bidder whose bid, conforms to all contract specifications, terms, conditions, and required provisions. Federal contract provisions found at 2 CFR Part 200, Appendix II.

Request for Proposal (RFP) – A document to solicit proposals for goods and/or services that describes in a general way the needed items and requests that vendors submit a proposal for serving the needs of the district. Contracts are awarded based on criteria defined in the solicitations document.

Small Purchase Threshold – The Federal Small Purchase threshold, as it relates to all Food and Nutrition Services (FNS) program procurements, is set at \$150,000. This regulation is now found in 2 CFR 200.320(b). The State of Idaho Small Purchase Threshold for public schools is set at \$25,000. Purchases may be subject to required Federal contract provisions found at 2 CFR Part 200, Appendix II.

What is Procurement?

Procurement is a way to plan for purchases to help ensure that money is spent wisely. Careful selection of products and meals in the procurement process can be critical to the financial success of a program. The purchasing of food, supplies, goods and other services with USDA program funds by sponsors is guided by 2 CFR Part 200 as well as all applicable program regulations. These standards are meant to prevent fraud, waste, and program abuse.

Code of Conduct

Sponsors must develop a code of standards of conduct describing allowable and unallowable behavior involved in procurement to ensure that goods and services are bought in an allowable manner.

Procurement Plan and Procedures

Each sponsor will have to ask their financial or administrative office the following questions in order to know how to handle procurement at that particular school district:

- What is the Local Small Purchase threshold? (Idaho public school district threshold is \$25,000, some districts may have lower thresholds)
- What is the Local Capital Equipment threshold? (USDA has defined \$5,000 as the threshold, but school districts may have lower thresholds)

The procurement procedure that must be followed may then be determined:

- Below the Small Purchase Threshold

- Micro-purchase (less than \$3,000) –A purchase below \$3,000 which may be made without obtaining price quotes as long as the price is reasonable and purchases are distributed equitably among qualified suppliers (i.e., a sponsor may not make all purchases from one source; rather, the sponsor must make purchases from all qualified sources equally).
- Informal procedures (federal: \$3,000 to \$150,000; public school districts in Idaho: \$3,000 to \$25,000) – A purchase that requires the sponsor to develop solicitation documents (includes specifications, estimated quantities, terms, conditions and provisions). The sponsor must advertise, obtain, and document price quotes, conduct procurement in a manner that ensures free and open competition, and evaluate and make the award.
- Above the Small Purchase Threshold
 - Formal procedures (state of Idaho public school districts above \$25,000) – A purchase that requires the sponsor to develop solicitation documents (IFB or RFP); includes specifications, estimated quantities, terms/conditions/provisions) and publicly publish the solicitation before evaluating and awarding a fixed price or cost-reimbursable contract.

Contract Administration/Performance Management Process

Once the sponsor has evaluated and made the award (and a contract is in place in the case of a formal procedure), contract monitoring begins (i.e., making sure the terms and conditions of the contract are followed).

Why is Procurement Important?

Procurement is essential to promote cost-effective use of federal funds by conducting purchasing which provides the maximum of free and open competition and eliminates unfair competitive advantages. Procurement procedures play a critical step in the overall purchasing process because these procedures determine the type of procurement method that will be used and the types of contracts that will result.

Federal rules require that sponsors have procurement procedures in place per 2 CFR 200.318. The development of these procedures provides the specific roadmap for how the sponsor is conducting procurement and ensures regulations are followed. These procedures should include:

- Written code of conduct that will help to prevent conflicts of interest
- The use of noncompetitive practices and protests that delay contract award, or require the solicitation process to be terminated, re-written, and re-issued
- Who conducts the contract monitoring and how issues will be addressed if identified

Resources

Additional resources may be available for this topic. Please check the Idaho School Nutrition Reference Guide website for copies of manuals, user guides, and helpful links to relevant subject matters.